

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 OMB-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 /095 W

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R 150915Z JUL 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1619

INFO AMEMBASSY BELGRADE

AMEMBASSY BANKGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

CINCPAC HONOLULU HI

USLO PEKING

AMEMBASSY RANNGOON

AMEMBASSY SCNGAPORE

AMEMBASSY WELLINGTON

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 9508

E.O 11652 GDS

TAGS: OVIP, PFOR, ENIV, JA ID

SUBJECT: PRESIDENT SUKHARTO'S VITIT TO JAPAN

REF: KUALA LUMPUR 3955

CINCPAC FOR POLAD

SUMMARY. DURING THREE DAY VISIT TO TOKYO, INDONESIAN PRESIDENT SUHARTO

STRESSED CONVICION THAT US WOULD REMIAN IN ASIA. HE WELCOMED US
PRESENCE, INCLUDING, BY IMPLICATION, US SEVENTH FLEET. SUHARTO
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TOLD JAPANESE THAT MILITARY MEANS WERE INSUFFICIENT TO COPE WITH
INSURGENCIES AND THAT "NATIONAL RESILENCE" BASED ON STRONG
ECONOMIES AND SOCIAL CONDITIONS WAS MOST EFFECTIVE BULWARK AGAINST
COMMUNISM. IN THIS CONNECTION, HE SOUGHT CONTINUED JAPANESE

INVESTMENT IN AND ECONOMIC ASSISTANCE TO INDONESIA, AS WELL AS
IN REMAINDER OF ASEM. HIGHPOINT OF VISIT WAS SIGNING OF
GIAN ALUMINUM PROJECT, SIGNALLING FIRM COMMITMENT BY GOJ TO
SUPPORT FOR INDONESIA AND, BY EXTENSION TO ASEAN STATES. END SUMMARY.

1. INDONESAIN PRESIDENT SUHARTO VISITED TOKYO JULY 5-9 FOR
TALKS WITH JAPAN'S LEADERS ON THE POST-VIETNAM ASIAN SITUATION
AND BI-LATERAL RELATIONS. HE WAS ACCOMPANIED BY FONMIN MALIK
AND MINISTER FOR ECONOMY, FINANCE AND INDUSTRY WIDJOJO, WHO
ALS HELD TALKS WITH JAPANESE LEADERS INCLJDING FONMIN MIYAZAWA,
MITI MIN KOMOTO, FINMIN OHIRA AND AG-FORESTRY MIN ABE.
ACCORDING TO BRIEFING PROVIDED US BY FONOFF SECOND SE ASIA
DIVDIR HASEGAWA, IN HIS TALKS WITH JAPANESE LEADERS, SUHARTO
EXPRSSED CONFIDENCE US WOULD MAINTAIN ITS INTERESTS AND PRESNCE
IN ASIA. JAPANESE INTERPRETED SUHARTO TO MEAN MILITARY PRESENCE,
PARTICULARLY THE SEVENTHFLEET, IN ADDITIONL TO ECONOMIC AND
ASSISTANCE AND INVESTMENT IN INDONESIA, SUHARTO ALSO STRESSED
THAT LESSON OF RECENT COMMUNIST TAKEOVER IN SVN WAS THAT MILITARY
MEANS WERE INADQUATE FOR COPING WITH INSURGENCIES; STRENGTHENING
ECONOMIC AND SOCIAL STRUCTURES, WHICH TERMED "NATIOAL RESILENCE"

WAS BEST MEANS FOR DEALING WITH COMMUNISM . SAME FORMULA APPLIES TO
OTHER ASEAN STATES.

HE ADVOCATED STRENGTHENING TIES AMONG ASEAN STATES AND TIGHTENING
IN ADDITION TO ECONMIC POLITICAL COOPERATION AT PRESENT SUHARTO
ALSO ENVISIONED ASEAN COOPERATION IN MILITARY SECURITY
MATTERS IN THE FUTURE OF TIES BETWEEN ASEAN AND JAPAN. HE DID NOT
MENTION QUESTION OF INVITING INDOCHINESE STATES TO JOIN ASEAN.
PRIME ANXIETY EXPRESSED WAS THAT WEAPONS FROM INDOCHINA WOULD FIND
WAY TO ASEAN INSURGENCIES.

2. SUHARTO SPENT LITTLE TIME ON SOVIET AND CHINESE ROLES IN
SE ASIA BUT TOLD PM MIKI THAT INDONESIA DIDNOT YET HAVE
NATIONAL CONSENSUS FAVORING RESTORATION OF TIES WITH PEKING.
INDONESIAN PEOPLE, ACCORDING TO SUHARTO, ARE STILL SUFFERING
FRM COMMUNIST COUP ATTEMPT IN 1965 AND WOULD , AS A RESULT PROCEED
SLOWLY IN NORMALIZING RELATIONS WITH CHINA.
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3. SUHARTO QUOTED YUGOSLAV PRES TITO TWICE IN DISCUSSIONS WITH
JAPANESE. HE SAID TITO TOLD HIM THERE WAS NO REASON TO BE
CONCERNED ABOUT NORTH KOREA ATTACKING THE ROK; "IT WOULD BE
SUICIDAL, TITO WAS QUOTED AS SAYING.

4. TITO ALSO TOLD SUHARTO THAT NVN AND SVN BOTH WANTED TO JOIN
US SEPARATELY, AND THE REUNIFICATION WOULD PROBABLY TAKE FIVE
YEARS, BUT BOTH VIETNAMAS WOULD FOLLOW "PARALLEL" FOREIGN
POLICIES UNTIL REUNIFIED.

5. ON ECONOMIC SIDE, FONOFF FIRST ECONOMIC COOPERATION DIV DEP
DIR SEZAKI TOLD US SUHARTO DURING CONVERSATION WITH MIKI
EXPRESSED APPRECIATION FOR GOJ DECISION TO SUPPORT ASAHAN

PROJECT (SEE BELOW). THEN, AS COROLLARY TO HIS THEORY OF NATIONAL RESILIENCE WELCOMED CONTINUED INTEREST BY JAPAN IN INDONESIA AND REQUESTED JAPAN TO CONTINUE TO PROVIDE CONCESSIONAL DEVELOPMENT ASSISTANCE WITHIN IGGI FRAMEWORK. MIKI TOOK NOTE OF THIS REQUEST BUT MADE NO RESPONSE. SUHARTO ALSO REQUESTED JAPANESE COOPERATION IN REDUCING THE BILATERAL TRADE IMBALANCE BY IMPROVING MORE OIL AND TIMBER FROM INDONESIA, BUT MIKI REPLIED IT WOULD BE DIFFICULT TO DO SO AT PRESENT. DURING WIDOJO/KOMOTO/(MITI MINISTER) CONVERSATION, WIDOJO EXPLAINED THAT INDONESIA HAD SELECTED LOMBOK ISLAND AS BEST SITE FOR PROPOSED CENTRAL TERMINAL SYSTEM (CTS) (OIL HANDLING FACILITY). KOMOTO SAID JAPAN WOULD HAVE TO COORDINATE IMPLEMENTATION OF THIS PROJECT UNLIKE WITH INDONESIA.

6. HIGH POINT OF VISIT WAS JULY 7 SIGNING OF ASAHAN PROJECT HAVE FORMAL CONTRACT UNLIKE BY JAPANESE COMPANIES' REPRESENTATIVE AND INDONESIAN SIDE. THIS FOLLOWED GOJ CABINET AND TO INDONESIAN CENTRAL BANK TO IMPLEMENT PROJECT. COMPLICATED SCHEME, AS EMBASSY UNDERSTANDS IT, COMMITS JAPANESE SIDE TO PROVIDE, IN CAPITAL AND LOANS, 90 PERCENT OF TOTAL PROJECT COST OF 844.59 MILLION DOLLARS (AT 296 YEN/DOLLAR), OR 760.1 MILLION DOLLARS. INDONESIAN SIDE WILL PROVIDE EQUIVALENT OF 84.45 MILLION DOLLARS, 10 PERCENT OF TOTAL. ON JAPANESE SIDE, EXPORT IMPORT BANK WILL PROVIDE 369.4 MILLION DOLLARS FOR ALUMINUM PLANT AT 6.75 PERCENT INTEREST. REPAYMENT PERIOD HAS NOT YET BEEN DECIDED. CITY BANKS WILL PROVIDE \$167.2 MILLION AT TERMS TO BE DECIDED. OVERSEA ECONOMIC COOPERATION FUND WILL SUPPLY 202.7 MILLION DOLLARS FOR HYDROELECTRIC PLANT. OF THIS AMOUNT 88.7 MILLION DOLLAR LOAN TO INDONESIAN CENTRAL BANK WILL BE AT 3.5 PERCENT INTEREST WITH REPAYMENT OVER 30 YEARS INCLUDING EIGHT YEARS' GRACE. TERMS OF BALANCE OF OECF PORTION REMAIN TO BE DECIDED. JAPAN INTERNATIONAL COOPERATION AGENCY WILL PROVIDE 20.8 MILLION DOLLARS FOR INFRASTRUCTURE AT RATE BETWEEN 2.5 AND 3.5 PERCENT. REPAYMENT PERIOD REMAINS TO BE DECIDED.

7. RE ASHAN, OFFICIAL OF SUMITOMO CHEMICAL (OKA) TOLD EMBASSY THAT EVEN THOUGH FORMAL CONTRACT HAD BEEN SIGNED

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DOLLARS FOR HYDROELECTRIC PLANT. OF THIS AMOUNT 88.7 MILLION DOLLAR LOAN TO INDONESIAN CENTRAL BANK WILL BE AT 3.5 PERCENT INTEREST WITH REPAYMENT OVER 30 YEARS INCLUDING EIGHT YEARS' GRACE. TERMS OF BALANCE OF OECF PORTION REMAIN TO BE DECIDED. JAPAN INTERNATIONAL COOPERATION AGENCY WILL PROVIDE 20.8 MILLION DOLLARS FOR INFRASTRUCTURE AT RATE BETWEEN 2.5 AND 3.5 PERCENT. REPAYMENT PERIOD REMAINS TO BE DECIDED.

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FM AMEMBASSY TOKYO

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INFO AMEMBASSY BELGRADE

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BOTH JAPANESE AND INDONESIAN SIDES WOULD NEED TO STUDY FURTHER VARIOUS DETAILED POINTS WHICH PRESS REPORTS INDICATED HAD ALREADY BEEN RESOLVED. IN JAPAN, INVESTMENT COMPANY TO EXECUTE THE PROJECT IS EXPECTED TO BE ESTABLISHED IN AUGUST BY THE TWELVE JAPANESE COMPANIES AND THE OVERSEAS ECONOMIC COOPERATION FUND. IN INDONESIA, A CONSTRUCTION OPERATING COMPANY CAPITALIZED 90 PCT BY THE JAPANESE INVESTMENT COMPANY AND TEN PCT BY THE INDONESIAN GOVERNMENT IS EXPECTED TO BE ESTABLISHED WITHIN THE NEXT TWO OR THREE MONTHS. ON THE SPOT SURVEYS WILL BEGIN SOON AND CONSTRUCTION IS EXPECTED TO BEGIN IN A YEAR OR TWO.

8. SEZAKI SAID THAT FINANCE MINISTRY, HAVING IN MIND EARLIER CONFIDENTIAL

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LARGE AID AND OTHER CAPITAL FLOWS FROM JAPAN TO INDONESIA, REGISTERED GOJ SUPPORT OF ASAHAN PROJECT MOST STRONGLY. AS PRICE OF AGREEMENT MOF INSISTED CONCESSIONAL PORTION OF ASAHAN DISBURSEMENTS WOULD HAVE TO BE TAKEN IN TO ACCOUNT IN CALCULATING FUTURE GOJ DISBURSEMENTS TO BE MADE DURING THE PERIOD OF 1975 TO 1983.

9. EDITORIAL REACTION TO SIGNING OF ASAHAN CONTRACT WAS UNIFORMLY CRITICAL. EDITORS POINTED TO EXCESSIVE SHARE OF TOTAL JAPANESE FUNDS (90 PCT) AND GOJ FUNDS (70 PCT) IN SO-CALLED INDONESIAN NATIONAL PROJECT, WORKED THAT JAPANESE ECONOMIC OVERATTENTION TO INDONESIA MIGHT LIMIT JAPANESE FLEXIBILITY AND/OR STIMULATE ANTI-JAPANESE BACKLASH WITHIN INDONESIA AND HOPED THAT, IN KEEPING WITH DOCTRINE OF NATIONAL RESILIENCE, INDONESIA WOULD EXPECT MORE HELP

10. COMMENT: SHHARTO VISIT WENT EXTREMELY WELL, HIS QUIET MANNER AND CONFIDENCE ABOUT THE FUTURE WAS IN STRIKING CONTRAST

TO SINGAPORE'S LEE KUAN YEW WHOSE BOLDNESS DURING HIS JUNE VISIT TO TOKYO SURPRISED THE JAPANESE. (TOKYO 7398) ALTHOUGH MESSAGES WERE CAST SOMEWHAT DIFFERENTLY PRIME PURPOSE WAS SAME-- ADVOCACY OF INCREASED JAPANESE INVESTMENT AND ECONOMIC COOPERATION WITH THEIR NATIONAL AND THE ASEAN GENERALLY. SUHARTO'S VISIT ALSO ENCOURAGED GREATER JAPANESE OPTIMISM ABOUT FUTURE OF SE ASIA AND COMMITMENT TO HUGE ASAHAN PROJECT WAS TESTIMONY BOTH TO FAITH IN FUTURE OF AREA AND POSITIVE GESTURE TO HELP DEVELOP ASEAN ECONOMIES IN MANNER SO EFFECTIVELY ADVOCATED BY SUHARTO AND LEE. THOUGHT JAPAN HAS BUDGET AND B/P DEFICITS AND AN ECONOMY STILL SUFFERING FROM INFLATION AND RECESSION. DECISION REQUIRED HARD JUDGEMENTS ON SPENDING PRIORITIES--FONMIN MIYAZAWA SUGGESTED IN RECENT INTERVIEW CHOICE HAD BEEN IN FAVOR OF ASAHAN AN EXPENSE OF DOMESTIC HONSHU-SHIKOKU BRIDGE PROJECT--AND SAYS A GREAT DEAL ABOUT PRESENT GOJ PRIORITIES.

11. FINALLY, VISIT TO JAPAN BY SUHARTO, LIKE LEE'S AND IMELDA MARCO'S VISITS EARLIER, HELPS PM MIKI PREPARE FOR HIS US VISIT WITH INSIGHTS GIVEN HIM BY THESE OTHER ASIAN LEADERS. FINAL ROUND, AT LEAST AS FAR AS ASEAN IS CONCERNED WILL BE VISIT BY TUNKU AMHAD RITHAUDDEN, MALAYSIA'S QUASI FONMIN, EXPECTED NEXT WEEK (REFTEL). HASEGAWA TOLD US MALAYSIA OBVIOUSLY DID NOT WANT TO BE LEFT OUT SINCE GOM INSISTED RITHAUDDEN VISIT TOKYO.
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Message Attributes

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